



**Auditor of State
Betty Montgomery**

ALLEN TOWNSHIP
UNION COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Allen Township
Union County
16945 Allen Center Road
Marysville, Ohio 43040

To the Board of Trustees:

We have audited the accompanying financial statements of Allen Township, Union County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

During 2002, the Township did not maintain detailed billing and receipts records for emergency medical services activities. Because of the inadequacy of accounting records we were unable to form an opinion regarding the amount of reported EMS receipts for the year ended December 31, 2002, which represents 53% of charge for service receipts reported in the Special Revenue Fund Type.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had charges for services receipts for the year ended December 31, 2002, been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2004, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 3, 2004

**ALLEN TOWNSHIP
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local Taxes	\$242,427	\$743,439	\$0	\$985,866
Intergovernmental	59,525	112,254	0	171,779
Charges for Services	0	168,737	0	168,737
Licenses, Permits, and Fees	7,061	0	0	7,061
Fines, Forfeitures, and Penalties	6,440	0	0	6,440
Earnings on Investments	6,017	1,736	0	7,753
Other Revenue	10,200	0	0	10,200
	331,670	1,026,166	0	1,357,836
Cash Disbursements:				
Current:				
General Government	216,625	0	0	216,625
Public Safety	40,793	933,658	0	974,451
Public Works	35,758	60,345	0	96,103
Human Services	10,623	0	0	10,623
Debt Service:				
Redemption of Principal	0	16,679	0	16,679
Interest and Fiscal Charges	0	493	0	493
Capital Outlay	0	1,000	0	1,000
	303,799	1,012,175	0	1,315,974
Total Receipts Over Disbursements	27,871	13,991	0	41,862
Other Financing Receipts and (Disbursements):				
Transfers-In	0	115,397	0	115,397
Transfers-Out	0	0	(115,397)	(115,397)
Other Sources	495	4,918	0	5,413
	495	120,315	(115,397)	5,413
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	28,366	134,306	(115,397)	47,275
Fund Cash Balances, January 1	280,110	370,637	115,397	766,144
Fund Cash Balances, December 31	\$308,476	\$504,943	\$0	\$813,419

The notes to the financial statements are an integral part of this statement.

**ALLEN TOWNSHIP
UNION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local Taxes	\$232,142	\$722,329	\$0	\$954,471
Intergovernmental	49,639	96,608	0	146,247
Charges for Services	0	125,911	0	125,911
Licenses, Permits, and Fees	10,852	0	0	10,852
Fines, Forfeitures, and Penalties	5,416	0	0	5,416
Earnings on Investments	7,998	4,006	0	12,004
Other Revenue	8,286	19,595	0	27,881
	314,333	968,449	0	1,282,782
Cash Disbursements:				
Current:				
General Government	193,649	4,372	0	198,021
Public Safety	44,436	896,927	0	941,363
Public Works	54,412	37,898	0	92,310
Conservation - Recreation	434	0	0	434
Debt Service:				
Redemption of Principal	0	21,131	0	21,131
Interest and Fiscal Charges	0	1,765	0	1,765
Capital Outlay	27,226	74,406	0	101,632
	320,157	1,036,499	0	1,356,656
Total Receipts (Under) Disbursements	(5,824)	(68,050)	0	(73,874)
Other Financing Receipts:				
Other Sources	6,362	0	0	6,362
	6,362	0	0	6,362
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	538	(68,050)	0	(67,512)
Fund Cash Balances, January 1	279,572	438,687	115,397	833,656
Fund Cash Balances, December 31	\$280,110	\$370,637	\$115,397	\$766,144

The notes to the financial statements are an integral part of this statement.

**ALLEN TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Allen Township, Union County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Union County Sheriff's office to provide police services to the Township.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

ALLEN TOWNSHIP
UNION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Fire Fund – This fund receives property tax money levied for the purpose of providing fire protection services to the Township.

Ambulance Fund - This fund is used to account for monies received for providing emergency medical services to the Township. Funds are utilized for the purchase of EMS equipment and medical supplies.

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 4.

**ALLEN TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$502,402	\$460,139
Certificates of deposit	302,024	297,111
Total deposits	<u>804,426</u>	<u>757,250</u>
STAR Ohio	8,993	8,894
Total deposits and investments	<u>\$813,419</u>	<u>\$766,144</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. RESTATEMENT OF FUND BALANCE

In the prior fiscal year, the Township incorrectly adjusted its fund balance, increasing it \$4,995 in the General fund and \$34,301 in the Special Revenue fund type. These adjustments were made to remove certain payroll expenditures recorded on the financial statements. These payroll expenditures however were properly recorded in the prior fiscal year. As a result, a restatement was made to decrease the beginning general fund balance by \$4,995 and the beginning special revenue fund type balance by \$34,301.

**ALLEN TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$278,844	\$332,165	\$53,321
Special Revenue	950,016	1,146,481	196,465
Total	\$1,228,860	\$1,478,646	\$249,786

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$482,961	\$303,799	\$179,162
Special Revenue	1,141,960	1,012,175	129,785
Capital Projects	0	115,397	(115,397)
Total	\$1,624,921	\$1,431,371	\$193,550

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$259,640	\$320,695	\$61,055
Special Revenue	1,054,478	968,449	(86,029)
Total	\$1,314,118	\$1,289,144	(\$24,974)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$464,561	\$320,157	\$144,404
Special Revenue	1,195,913	1,036,499	159,414
Total	\$1,660,474	\$1,356,656	\$303,818

Contrary to Ohio law, expenditures exceeded appropriations in the Capital Projects fund by \$115,397 at December 31, 2003.

**ALLEN TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. DEBT

The Township had no debt outstanding at December 31, 2003. The Township paid off a capital lease for an emergency medical vehicle during 2003.

7. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Township officials and other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

8. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**ALLEN TOWNSHIP
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK POOL MEMBERSHIP (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31.

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Allen Township
Union County
16945 Allen Center Road
Marysville, Ohio 43040

To the Board of Trustees:

We have audited the accompanying financial statements of Allen Township, Union County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated August 3, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. Our report was also qualified due to the inadequacy of accounting records related to emergency medical service activity for 2002. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 3, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-004 and 2003-005.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider item 2003-004 above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Township's management in a separate letter dated August 3, 2004.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 3, 2004

ALLEN TOWNSHIP
UNION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2003-001

Certification of Expenditures

Ohio Rev. Code Section 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section provides an exception to the above requirements:

Then and Now Certificate – if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Board of Township Trustees may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within thirty days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than three thousand dollars (one thousand dollars if prior to April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

Forty-four percent of expenditures tested were not certified prior to the commitment being incurred, nor were they certified using a then-and-now certification. This procedure is not only required by Ohio law, but is a key control in the disbursement process to assure that purchase commitments receive prior approval, as well as reducing the possibility of the Township's funds being over expended or exceeding budgetary spending limitations. We recommend the Township certify all expenditures prior to the commitment being incurred.

FINDING NUMBER 2003-002

Expenditures in Excess of Appropriations

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. The legal level of control is defined as the level at which appropriations are approved by the Board of Trustees.

Expenditures exceeded appropriations at the object level, which is the Township's legal level of control, in the following fund:

<u>Date</u>	<u>Fund</u>	<u>Line Item</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
12/31/03	Capital Projects	Transfers-Out	\$ 0	\$ 115,397	(\$ 115,397)

**ALLEN TOWNSHIP
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-002 (Continued)

We recommend the Clerk and the Board of Trustees monitor budget versus actual reports throughout the year to ensure expenditures do not exceed appropriations at the legal level of control. In order to keep expenditures within appropriated amounts, the Board of Trustees may amend the annual appropriation measure by approving supplemental appropriations or by transferring appropriations from one line item to another. We also recommend the Township avoid approving obligation request that will cause expenditures to exceed appropriations, and that the Board not approve any transfers of funds without first making appropriation for the transfer.

FINDING NUMBER 2003-003

Competitive Bidding

Ohio Rev. Code Section 505.376 provides that for any expenditure of a fire and ambulance district, other than for the compensation of district employees, that exceeds twenty-five thousand dollars, the contract for the expenditure shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the district.

The Township purchased seven self-contained breathing apparatuses in 2003 in the amount of \$28,000. The Township, however, did not follow the competitive bidding procedures, as required.

We recommend that the Township follow the competitive bidding requirements as it applies to the purchase of fire protection equipment, and award all such contracts to the lowest and best bidder.

FINDING NUMBER 2003-004

Charges For Services

During 2002, charge for service payments received from emergency medical services(EMS) billings were posted to entity ledgers in aggregate. Individual accounts were not credited for payment and there was no determination made by the Township on whether payments received were complete or accurate. The Township accepted whatever payment was made. There was no accounts receivable listing maintained or review of Third Party Administrator reports detailing amounts billed and accounts written-off.

To enhance accountability over charge for service receipts, we recommend payments be credited to individual accounts and determination be made on whether payments are complete and accurate. If payment is not paid in full, we recommend that an Accounts Receivable listing be maintained and followup procedures be adopted for delinquent accounts. In addition, the Township should be reviewing monthly reports produced by its Third Party administrator to help ensure that all eligible ambulance runs are being billed and revenue is being collected.

**ALLEN TOWNSHIP
UNION COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDING NUMBER 2003-005

Monthly Bank Reconciliations

Monthly book to bank reconciliations should be performed by the Township to determine if all receipts and disbursements have been properly posted. Reconciling items should be identified at the time of the reconciliation. Documentation supporting or explaining all reconciling items should also be included with the reconciliation. Once completed, the reconciliation should be reviewed for completeness and accuracy by the Township Board of Trustees.

When book to bank reconciliations are not properly performed, monthly book balances may be understated or overstated and management cannot be assured that ledgers reflect the proper financial activities of the Township. Also, lack of legislative monitoring may lead to errors, irregularities, or misappropriation of Township assets.

The Township did not accurately reconcile its accounting ledgers to the bank balances throughout 2003. The December 2003 monthly reconciliation had incorrect bank and fund balances which enabled the reconciliation to balance. However, after further review and correcting the bank balances and fund balances on the reconciliation, it revealed \$62,714 in unreconciled errors. These errors were actually the result of the Township's computerized accounting system automatically posting various 2003 payroll expenditures in the 2002 Expenditure Ledger without the knowledge of the Clerk.

We recommend the Township Clerk perform monthly bank to book reconciliations that properly account for all transactions during the respective month. Any unreconciled errors should be investigated by comparing transaction-level activity reflected on the bank statement. We also recommend the Township Board of Trustees carefully review these reconciliations each month.

**ALLEN TOWNSHIP
UNION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40680-001	ORC 5705.41(D) – Certification of Expenditures	No	Not corrected. Finding repeated in current audit.
2001-40680-002	Third Party Administrator SAS 70 Report	No	Finding repeated in current audit management letter
2001-40680-003	Board Monitoring	Yes	Fully corrected



**Auditor of State
Betty Montgomery**

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ALLEN TOWNSHIP

UNION COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 14, 2004**